

Service Tax - Update

Finance Act, 2015

As we all know the Hon'ble President has given his assent to the Finance Bill, 2015 on May 14, 2015 and consequently, the Finance Act, 2015 (No. 20 of 2015) has been notified in the official gazette.

New Rate of Service Tax

The Central Government vide Notification No. 14/2015-ST dated May 19, 2015 has notified the date i.e. June 01, 2015 on which the enhanced rate i.e. 14 per cent subsuming EC & SHEC (earlier 12.36 per cent) shall be made effective.

Since the effective date has been notified by the Central Government, therefore, it is important to understand its applicability upon ongoing transactions which are being undertaken by the service providers.

Point of Taxation Rules, 2011 (PoT Rules)

As we know the Point of Taxation Rules, 2011 ("**PoT Rules**") mandate that the Service Tax payment should be made on accrual basis as per the provisions laid down under the said Rules.

Rule 4 of PoT Rules provides the specific situation namely determination of point of taxation in case of change in effective rate of tax. We can understand the said Rule with the aid of table produced below:

Analysis of Rule 4 of the PoT Rules, 2011

<i>S. No.</i>	<i>Date of completion of service provision</i>	<i>Date of invoice issued¹</i>	<i>Date of receipt payment received</i>	<i>PoT</i>	<i>Rate of Tax</i>
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¹ Provided such invoice is issued within stipulated time period from the date of completion of the provision of services.

1.	On or before 31.05.2015	On or after 01.06.2015	On or after 01.06.2015	PoT shall be date of payment or issuing of invoice whichever is earlier.	14 per cent
2.	On or before 31.05.2015	Till 31.05.2015	On or after 01.06.2015	PoT shall be date of issuing of invoice.	12.36 per cent
3.	On or before 31.05.2015	On or after 01.06.2015	Till 31.05.2015	PoT shall be date of receipt of payment.	12.36 per cent
4.	On or after 01.06.2015	Till 31.05.2015	On or after 01.06.2015	PoT shall be date of receipt of payment.	14 per cent
5.	On or after 01.06.2015	Till 31.05.2015	Till 31.05.2015	PoT shall be date of payment or issuing of invoice whichever is earlier.	12.36 per cent
6.	On or after 01.06.2015	On or after 01.06.2015	Till 31.05.2015	PoT shall be date of issuing of invoice.	14 per cent
7.	On or after 01.06.2015	On or after 01.06.2015	On or after 01.06.2015	PoT shall be date of payment or issuing of invoice whichever is earlier.	14 per cent

Further, Rule 7 of the PoT Rules provides the point of taxation in respect of the persons required to pay tax as recipient in respect of services notified under sub-section (2) of Section 68 of the Finance Act, 1994, which shall be the date on which the payment is made. It is pertinent to mention here that in case any payment is made on or after June 01, 2015, the rate of 14 per cent shall be applicable. The said situation can be understood with the aid of below table:

S. No.	Date of completion of service provision	Date of invoice issued by the service provider	Date of payment made to the service provider	PoT	Rate of Tax
1.	Before/After 01.06.2015	Before/After 01.06.2015	Till 31.05.2015	31.05.2015	12.36 per cent
2.	Before/After 01.06.2015	Before/After 01.06.2015	On or after 01.06.2015	As and when the payment is made after 01.06.2015	14 per cent

We sincerely believe that the above information will help you in your business transactions. Should you require any further clarification, please feel free to write/speak to us.

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